

No. 2333/65

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
18 October 1965

INTELLIGENCE MEMORANDUM

The Fall of Che Guevara and the Changing Face
of the Cuban Revolution

Summary

1. Fidel Castro's willingness to drop Ernesto "Che" Guevara confirms the shift in Cuban policies that has been under way for about the past year. Guevara's fall from power apparently resulted from his persistent opposition to the practical policies recommended by the Soviet Union. His views on Cuba's economic development and foreign policy--reflecting his general opposition to Soviet advice--both seem to have played a role.

2. Guevara, who has been considered Cuba's most militant revolutionary spokesman, disapproved of Castro's alignment with the USSR in the Sino-Soviet dispute and of his willingness to diminish Cuba's role as a catalyst and supporter of revolutions in Latin America and Africa. This side of the controversy has been amply treated elsewhere. This paper concentrates more on the dispute between the two men over economic policy.

3. While he was in favor with Fidel Castro, Che Guevara was one of the most important architects of the Cuban economy. He retained this role for some time, even after his industrialization plan had been proven wrong and some of his other policies were being challenged. Not until July 1964, when President Dorticos became the Minister of Economy and the Director of the State Planning Board (JUCEPLAN), did Guevara's position really begin to weaken. Since

LIMITED OFFICIAL USE

that time Fidel Castro has dedicated most of his energies to Cuban internal matters, and to finding remedies for the disastrous effects of the regime's early policies--largely those engineered by Guevara.

Industrialization--Guevara's Greatest Failure

4. From the outset Guevara had encouraged the rapid nationalization and centralization of the economy, and by the spring of 1961 the Cuban economy was almost entirely state owned. Although he was not a trained economist, Guevara convinced Castro, against the objections of Carlos Rafael Rodriguez and others, that accelerated industrialization was necessary. He maintained that a diversification of agricultural production and increased investment in industry was required to end dependence on sugar and Cuba's "economic enslavement" by the US. By the time Guevara and Castro admitted, in late 1963, that the industrialization plan must be scaled down to reassign resources to sugar production, Guevara's policies had brought the economy to its lowest point since Castro came to power.

Guevara's Dispute with the National Bank

5. Because of the failures of the economy Castro was paying increased attention to other advisers by the end of 1963. In February 1964 some of the strains and tensions within the regime came into the open. Marcelo Fernandez Font, the President of the National Bank, published an article in the ideological journal Cuba Socialista on the history and functions of a "socialist" bank. In the next issue of the same journal Guevara reacted angrily. He charged that Fernandez still thought in terms of "classical economics" and even "vulgar economics"; that he sought to make the Bank instead of the Finance Ministry the center of the Cuban economy; and that he wanted to control investment and credits through the National Bank.

6. In the May issue of Cuba Socialista Fernandez meekly tried to defend himself without taking issue with Guevara or even mentioning his name. Fernandez said that socialist planning could take a monetary form with the bank necessarily playing a prominent role. A fourth article, by Luis Alvarez Rom, Minister

of Finance and a close Guevara associate, appeared in the July issue and attacked Fernandez' position. By the time that issue appeared, Fernandez had been removed from the National Bank and given the position of Minister of Foreign Trade. He was replaced by Salvador Vilaseca Forne--another close Guevara associate. Banking and finance were both in the hands of Guevara followers.

7. Guevara's outlook, which approximated present-day Chinese--rather than Soviet--economic practice, was behind the controversy. A series of articles in Nuestra Industria, the official organ of Guevara's Ministry of Industries, spelled out his opposition to the Soviet proposals for encouraging greater financial responsibility and independence in enterprises. Guevara objected to Soviet tendencies to place individual plants on a self-supporting basis.

8. Thus Guevara's war on the role envisioned for the Cuban National Bank by Fernandez was only part of a much larger war against decentralization, relative autonomy, financial flexibility, and greater material incentives. Guevara's publication explicitly expressed disagreement with "the emphasis given to material interest" by the Soviet economist Y. G. Liberman, whom it charged with advocating change in the "methods of collective incentive, abandoning the old formula of reward based on the fulfillment of plans in order to move to more advanced plans." The new Soviet economic trends were seen by Guevara as a threat to the moral incentive as the "predominant form" in Cuba's construction of socialism.

Guevara's Polemic Over Centralization

9. One of Guevara's most powerful economic opponents was Professor Charles Bettelheim, a French economist of Communist persuasion. Bettelheim had made several trips to Cuba at Castro's request and had helped convince him in the latter part of 1963 that the economy should be based on agriculture for the next decade. He also warned against centralization. Because of his advice Castro made preliminary investigations into the decentralization of authority and in 1963 began experiments in local autonomy in two towns. But despite these experiments, and despite

the declaration of a six-year sugar plan, Bettelheim was outweighed by Guevara--still the strongest voice on Cuban economic affairs.

10. In March 1964 Guevara declared that "it is supremely important for us to defend energetically on all fronts the principle of central organization of the economy." For Guevara, "centralization" was a principle from which the Cubans could not depart without sacrificing ideological purity. For Bettelheim, however, centralization was a means to be prudently employed only as it was necessary for planning. In an article in Cuba Socialista in April, Bettelheim suggested that a "certain liberty of local interchange" as well as "individual production" would be just as beneficial in Cuba as in the Soviet Union. He tried to tell Cubans that they had nationalized too much and too fast--a slap at Guevara.

11. A month later Guevara accused Bettelheim of making a "mechanical analysis," but was concerned mostly with the suggestion that it might be more profitable to nationalize only large industrial units, and leave small enterprises in private hands. Much of the argument centered on the empresas consolidadas (consolidated enterprises), the Cuban bodies under the Ministry of Industries which controlled a grouping of similar but otherwise independent units. Bettelheim said that this often meant artificial and inefficient collectivization--as in the case of garages. But Guevara replied that "to say an empresa consolidada is an aberration is to say that the Cuban revolution is an aberration." Guevara argued ultimately that administration really mattered less than the principle of collectivity, and his arguments prevailed over those of Bettelheim.

Dorticos Challenges Guevara

12. In July 1964 two important cabinet appointments signalled the power struggle over internal economic policy which culminated in Guevara's elimination. President Dorticos was appointed to two major posts in an attempt to improve the management of the badly disorganized economy. While this move was apparently aimed at taking a portion of the administration of economic affairs from the hands of Guevara, Che did nevertheless register a success of his own. In the same

month his closest protege, Orlando Borrego, was named to the new post of Minister of the Sugar Industry.

13. It seems, however, that the appointment of Dorticos was the turning point for the economic policies and fortunes of Guevara. Dorticos began to assume overall direction of the economy and it was rumored that the National Bank and the Finance Ministry (both headed by Guevara followers) would be merged with the Ministry of Economy and JUCEPLAN. The merger never took place, probably because the opposing sides became fixed and the growing tensions threatened to break into the open.

14. Even so, Dorticos won an important victory when one of Guevara's central points was quietly suppressed. Referring to the consolidated enterprises, Castro said in August that they "sometimes become boring, tedious, intolerable. It would be better to have a garage that works well and gives people good service. That is much more important than to go around putting up a huge sign to advertise that this place belongs to an empresa consolidada. Who knows how much paint has been wasted putting up names of empresas consolidadas?" Some empresas consolidadas were disbanded late in the year, and Castro again ridiculed them as a "mania" in January 1965.

Guevara's Views on Foreign Policy

15. An admirer of Chinese foreign policy, Guevara persistently had agitated for export of the Cuban revolution to the rest of Latin America and even to Africa. His manual on guerrilla warfare has been widely circulated in Latin America and he was a prominent figure in planning invasions against at least five Caribbean states in 1959. Guevara has been justly described as a roving incendiary and revolutionary. An Argentine, he reportedly assisted the pro-Communist Arbenz regime in Guatemala before it was overthrown in 1954. Later he traveled to Mexico where he met Fidel Castro in 1956.

16. Guevara never wavered from his firm revolutionary stand, even as other Cuban leaders began to devote most of their attention to the internal

problems of the revolution. Moreover, Castro's extensive popularity in Latin America decreased sharply once he committed the regime to rapid socialization. His call for Communist revolutions, after his espousal of Marxism in December 1961, had not been received with the enthusiasm of his earlier revolutionary incantations. Indeed, various Latin American parties apparently opposed Cuba's assistance to Peking-oriented revolutionary groups. Even so, Guevara continued to press for Cuban aid to Latin American revolutionaries. His policies generally prevailed.

17. About mid-1964, however, the regime began to accelerate the process of institutionalization--attending to internal economic problems and party organization. Revolutionary fervor was tempered and Cuba began to follow Soviet advice more closely. Relations with China deteriorated during 1964, as witnessed by a 50 percent drop-off in air travel between the two countries. Relations became further strained by November when Cuba took a pro-Soviet posture at the Havana Conference of Latin American Communist Parties. The presence of Raul Castro at the head of a high-level Cuban delegation to the consultative conference of Communist Parties in Moscow in March 1965 confirmed for the Chinese Havana's new "revisionist" posture. Guevara, however, apparently still strongly opposed moderation in Cuban foreign policy.

The Abrogation of Guevara's Policies

18. In early December 1964 Guevara had departed on a three-month trip to the United Nations, Africa, and Peking. Meanwhile, Castro had lost faith in Guevara's theories and may have already decided against his "dogmatist" views in favor of the "revisionist" economic school headed by President Dorticos and Carlos Rafael Rodriguez. A clear indication of this came on 21 January 1965 when Castro announced that material incentives would be emphasized. He said that the 5,000 best cane cutters of the 1965 harvest would receive rewards such as motorcycles, trips abroad, and expensive vacations at Cuban resorts.

19. It took Guevara only a short time to respond publicly. While in Algiers he wrote a letter to the Uruguayan leftist weekly Marcha. In it he declared

that "the correct instrument for the awakening of the masses must be fundamentally of a moral nature." In Cairo the following month Guevara again criticized Cuban economic policies. Incorrectly, he called them copies of the model of economic development Moscow had imposed on the countries of Eastern Europe when "no one had the guts to object."

20. An interview published in the Egyptian periodical Al Taliah in April was the last encompassing public definition of Guevara's policies. In it he vehemently attacked the economic reforms adopted in Yugoslavia as well as "the Liberman experiment" in the USSR. In criticizing Yugoslavia, Guevara condemned its reaction against Stalinism and its resort to the use of material incentives. The two primary issues he singled out had direct application to the Cuban situation. One was workers' participation in management, which he said Cuban workers wanted in order to gain extra benefits. This, he said, constituted "social oppression" and a kind of exploitation. The second issue, that of workers' profit sharing, was one he knew had been approved in Cuba before he left. The official labor organ Trabajo in December 1964 had announced a profit-sharing scheme called the Contract Wage Pilot Plan. Guevara must have been particularly irked when Trabajo chose to identify the worker's compensation as "the prize." His statement in Al Taliah was therefore another sharp criticism of the Cuban leadership and "liberal" economic policies.

21. Guevara returned to Havana on 13 March and was greeted by both Castro and Dorticos. He was reported by the Havana press to have made an appearance on 20 March, but he then slipped out of sight. One of the first moves against his power clique came in mid-June when National Bank President Salvador Vilaseca was removed from his post and installed as rector of Havana University.

22. Castro's 26 July speech dramatized the shift away from Guevara's views. Castro spoke at length about the need for a regular system of local authority. Earlier, in the face of conflicting "conservative" and "liberal" views represented by Guevara and Bettelheim, Castro had supported Guevara in preventing the JUCEI (local coordinating boards)

from exercising any real authority. Now, however, he reversed his stand. He called for the decentralization of local administration, and announced that extensive reforms would begin to organize a completely new administrative apparatus. Castro heatedly denounced the old centralized system and graphically described the problem. He said that when a dog made a mess in the street of some provincial town, the central authorities had to be called to remove it. On 28 September Castro again made it perfectly clear that Guevara's views were in disfavor when he said: "Let me go on record that I am a defender of local development and administration." Another of Guevara's cherished theories had been abandoned.

Cuba Without Guevara

23. With the announcement of the Central Committee of the Communist Party on 1 October, it was clear that Guevara, his followers and his policies were out of favor. The only three ministers excluded from the central committee were Luis Alvarez Rom (the Finance Minister who had sided with Guevara in the National Bank dispute), Orlando Borrego (Guevarra's closest protege), and Arturo Guzman (the Acting Minister of Industries). Salvador Vilaseca Forne (the former National Bank President) was also excluded. These four were the only high-level Cubans not included in the Central Committee--and were also the only ones who had been intimately involved with Guevara's economic policies. Moreover, the party's new five-man Economic Committee was headed by President Dorticos and staffed with adherents of "liberal" economic views.

24. In a speech on 2 October, Castro read what he said was a letter from Guevara. The main idea it contained was that Che felt his revolutionary talents now could be better used elsewhere. It said at one point, "I (Che) can do what is denied you (Fidel) by your responsibility as head of Cuba." Thus there is no doubt that Castro's more cautious position on exporting revolution, as well as his different economic approach, led to Che's downfall. Castro recently said that the Cuban revolution must find solutions according to its own "spirit and peculiarities." But from now on Cuba will probably pattern both its domestic and foreign policies more in accord with Soviet advice.

25. With this realignment, already strained relations with China will probably deteriorate further. Last November at a meeting of Latin American Communist Party delegates in Havana, Cuba agreed to support the orthodox parties rather than Peking-oriented militant groups. Relations with China deteriorated almost immediately after the Havana conference. Guevara visited Peking in February apparently in an attempt to explain the Cuban position, only to be sharply rebuked by the Chinese. After resuming his African trip he continued to vent his "dogmatic" views, which generally reflected Chinese positions.

26. In any case China now has clear justification for attacking Cuba as a "revisionist" regime--a charge it has never publicly made. With the fall of Guevara and the general acceptance of Soviet advice in domestic and foreign policies, the Cuban revolution has entered a new phase. The shift in Cuban foreign policy which has been en train since 1964 now is confirmed with Guevara's fall.

LIMITED OFFICIAL USE

MCO



18 October 1965

No. 2333/65

Copy-No. 89

INTELLIGENCE MEMORANDUM

THE FALL OF CHE GUEVARA AND THE CHANGING FACE OF THE CUBAN REVOLUTION

DIRECTORATE OF INTELLIGENCE

GROUP 1
Excluded from automatic
downgrading and
declassification

LIMITED OFFICIAL USE

WARNING

This Document contains information affecting the National Defense of the United States, within the meaning of Title 18, Sections 793 and 794, of the U.S. Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law. The reproduction of this form is prohibited.

FORM 12-62 2024

COMPLETED AS NO. 2333/65 (DDI MEMO) DATED 18 OCTOBER 1965
OCI - NOTICE OF SPECIAL PAPER

No 380-65

Date _____

SUBJECT

The Fall of Che Guevara and the Changing Face of the
Cuban Revolution

REQUESTED BY

Self-initiated byt discussed with [REDACTED]

STATINTL

PURPOSE

To explore those aspects of Guevara's thinking which led to his
downfall

DESIRED LENGTH :

SPECIAL DISSEM

Category E, routine external and internal GRAPHICS?

COORDINATION

OUTSIDE OCI

Sov Div, CAS, ONE, ORR, DDP/WH

ASSIGNED TO

[REDACTED] STATINTL

DUE DATE: _____

OAD REVIEW

:

1. O/DCI _____

4. CS/II _____

6. WA _____

7. AA _____

8. SSBA _____

2. O/DDI _____

5. DAY/SIDO _____

P/A _____

P/A _____

P/A _____

3. O/ADCI _____

I HAVE COPY.

SECRET

**DISTRIBUTION LIST
INTELLIGENCE MEMORANDUM
CATEGORY E - ROUTINE**

OCI Special Paper Notice No. _____ Control No. _____

SUBJECT: The Fall of Che Guevara and the Changing Face of the Cuban Revolution (TO BE DDI MEMORANDUM) Date 18 October 1965

<u>INTERNAL</u>					
1 DCI	5-9	DDI	19-27	OPSCEN	
2 DDCI	10	D/ONE	28,29	INDICO	
3 EXEC. REG.	11-15	D/OCI			
4 EXEC. DIR.	16-18	PICL			
30,31 D/NIPE	-2	70			
32 G. COUNS.	-1	71			
33 I. G.	-1	72-75			25X1A -1
34,35 DD/S&T	-2	76			-4
36 DD/S&T	-1	77	SA/R		-1
37-49 DDP	-13	78,79	CA/SSB		-1
25X1A DDP	-13	80,81	CA/AA		-2
50 DIR/BPAM	-1	82,83	CA/West		-2
51,52 ONE	-2	84	CD/West		25X1A -1
53 ONE Reading Room	-1	85-87	CS/Pres		-3
54,55 D/ORR (CSS)	-2	88,89	MCO		-2
56-60 D/OSI	-5	90	ADMIN (VM)		-1
61 D/OCR (SR/OCR)	-1	91	DO/II		-1
62 Chief, DD/OCR (COLLATERAL)	-1	92,93	Orig. Div.		-2
63 Asst. to DDI (COLLATERAL)	-1	94,95	Orig. Br.		-2
64-66 DIR/NPIC (LS/PID)	-3				
67 DDI/CGS	-1				
68 NMCC (OPSCEN)	-1				
69 DDI/RS	-1				

EXTERNALTHE WHITE HOUSE

Smith -5
Vice President -1
Gen. Maxwell Taylor -1

STATEDEFENSE

Applewhite -2

O-IN-C WHCA F.B. #2BUDGET

Clark -1

USIB (Distribution Points)

NSA -5

State (Collateral) -8

State (Code word) -8

NON-USIB (Intelligence Distribution Points)

ACSI, DA -5

USIA

Marks -1

DIA (Collateral) -15

DIA (Code word) -15

Brown (AEC) -1

ONI -5

AID

Be11 -1

ACDA

Be11 -1

Belmont (FBI) -1

State (Code word) -1

NIC -1

ACSI, USAF -5

Special Instructions:

Distribution

Authorized by _____ 25X1A

To be released ~~BY~~ DOB ON 18 OCTOBER 1965

No. Copies 200

SECRET